

Message Text

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ACTION EUR-10

INFO OCT-01 IO-03 ISO-00 SWF-01 AID-05 CEA-01 CIAE-00

COME-00 EB-03 FRB-01 INR-10 NSAE-00 RSC-01 CIEP-01

SP-02 STR-01 TRSE-00 LAB-01 SIL-01 SAM-01 OMB-01

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R 101734Z OCT 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 6708

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

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USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, EAGR, EC

SUBJECT: PROPOSED EC-ACP ARRANGEMENTS ON STABILIZATION OF EXPORT
RECEIPTS

REF: A. STATE 174830 B. EC BRUSSELS 6248 C. EC BRUSSELS 7004

D. LUCY/MCCARTHY TELECON (OCTOBER 7) E. EC BRUSSELS 7336

1. BEGIN SUMMARY: AS A FOLLOW-UP TO EARLIER SUBMISSION THE
MISSION IS PROVIDING THE FOLLOWING SUPPLEMENTARY INFORMATION KEYED
TO QUESTIONS CONTAINED IN REFTEL A. THIS ADDITIONAL INFORMATION
SHOULD BE EVALUATED IN CONJUNCTION WITH THE COMMISSION'S PROPOSAL
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(COM(74)1060) FOR ARRANGEMENTS WITH THE ACP'S ON THE STABILIZATION

OF EXPORT RECEIPTS (STABEX), PREVIOUSLY POUCHED TO THE DEPARTMENT (EUR/RPE). HOWEVER, MANY ASPECTS OF THE SCHEME ARE STILL UNDER ACTIVE DISCUSSION BOTH BETWEEN THE COMMISSION AND THE MEMBER STATES, AND BETWEEN THE COMMISSION AND THE ACP'S. END SUMMARY.

2. (PARAGRAPH 3A, REFTTEL A) PRODUCT LIST: COMMISSION CONTACTS TAKE A GUARDED POSITION WHEN ASKED ABOUT POSSIBLE EXPANSION OF PRODUCT COVERAGE UNDER STABEX BUT INDICATE THAT THE EC INTENDS TO BE "FLEXIBLE" ON THE SUBJECT. DURING THE PAST WEEK OF INTENSIVE EC/ACP DISCUSSIONS, HOWEVER, THE ACP SIDE HAS REQUESTED THAT THE LIST OF ELEGIBLE PRODUCTS UNDER STABEX BE EXPANDED TO INCLUDE NOT ONLY THE ORIGINAL SEVEN (GROUND NUTS, COFFEE, COCOA, BANANAS, COPRA, COTTON AND SUGAR) BUT ALSO THE FOLLOWING:

- 1) SEMI-PROCESSED PRODUCTS FROM THE ABOVE SEVEN ITEMS.
- 2) TEA, SISAL, PALM OIL, HIDES AND SKINS.
3. THE FOLLOWING CAP PRODUCTS: TOBACCO, BEEF AND VEAL, PINEAPPLE, FRUITS AND VEGETABLES.
- 4) MINERALS: IRON, MANGANESE, COPPER, BAUXITE.

COMMISSION SOURCE INDICATE THAT THEY (A) ARE INCLINED TO AGREE WITH REQUESTS 1 AND 2 ABOVE, (B) WILL SUGGEST THAT REQUEST 3 BE DISCUSSED IN THE CONTEXT OF THE AGRICULTURAL PRODUCTS SECTION OF THE AGREEMENT AND (C) INTEND TO SEEK A DIPLOMATIC WAY OF SAYING NO TO REQUEST 4.

3. (3A. CONT) PRODUCT/ COUNTRY ELEGIBILITY CRITERIA ARE STILL UNDER DISCUSSION. ALL PARTICIPATING COUNTRIES WILL BE COVERED BY THE SCHEME FOR ALL COMMODITIES ON THE LIST. IT IS CLEAR FROM THE COMMISSION SIDE, HOWEVER, THAT TO BE ELEGIBLE FOR INCLUSION IN THE SCHEME A PRODUCT MUST BE SUBJECT TO SIGNIFICANT EARNINGS FLUCTUATIONS. IN ADDITION, THE STABEX FORMULA TAKES INTO ACCOUNT THE DEGREE OF THE ACP COUNTRY'S DEPENDENCE ON EXPORTS TO ALL DESTINATIONS OF THE PRODUCT IN QUESTION.

4. (3B.) A REDUCTION IN AN ACP'S EARNINGS REFERS TO ITS NET EARNINGS FROM EXPORTS TO THE EC OF ALL THE COMMODITIES COVERED

5. (3C.) CALCULATION OF GLOBAL EXPORT EARNINGS WILL BE BASED LIMITED OFFICIAL USE

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ON IMF EXPORT DATA FOR THE COUNTRY CONCERNED. CALCULATION OF ACP EXPORTS (PRICE AND QUANTITY) TO THE EC WILL BE BASED ON EC CUSTOMS INVOICE DATA.

6. (3D.) IN CALCULATING THE FINANCIAL TRANSFER FOR WHICH AN ACP IS ELEGIBLE, THE STABEX FORMULA WILL CONTAIN A SYSTEM OF SPECIAL BONUSES IN FAVOR OF LEAST-DEVELOPED, LANDLOCKED AND ISLAND AREAS. THESE BONUS COEFFICIENTS WILL BE APPLIED TO THE

REFERENCE VALUE USED IN DETERMINING THE SIZE OF ANY FINANCIAL TRANSFER DUE.

7. (3E.) THE QUESTION OF AN ACP REIMBURSEMENT OBLIGATION WAS LEFT OPEN AT KINGSTON (I.E. IT DOES NOT APPEAR IN THE COMMUNIQUE OR RESOLUTIONS). COMMISSION SOURCES AND PERM DEL CONTACTS NOTE, HOWEVER, THAT CLARIFICATION WILL BE NEEDED ON THIS SUBJECT DURING THE COURSE OF NEGOTIATIONS. SOME MEMBER STATES (NOT IDENTIFIED) HAVE BY NO MEANS RULED OUT A REPAYMENT OBLIGATION, THOUGH THE LEAST-DEVELOPED ACP'S WILL LIKELY BE PARTIALLY OR TOTALLY EXEMPT FROM SUCH AN OBLIGATION.

8. (3F.) THE DEPARTMENT'S ASSUMPTION IS CORRECT.

9. (4A.) OUR BEST INFORMATION IS THAT THE SCHEME, AS IT NOW STANDS, DOES NOT CONTAIN ANY SIGNIFICANT DEPARTURES FROM THE EARLIER PROPOSAL OF JUNE 1973 (SEC (73) 2043) AND THAT THE ACP OBLIGATION, IN THE EVENT OF A FALL IN THEIR EXPORTS, NOT TO REDUCE EXPORTS TO THE EC BY A PROPORTION GREATER THAN THE FALL IN TOTAL EXPORTS, STILL EXISTS. CALCULATION OF TOTAL ACP EXPORT RECEIPTS IS TO BE TAKEN FROM IMF EXPORT DATA. REFERENCE VALUES FOR THE SCHEME WILL BE CALCULATED BASED ON TRADE DATA COVERING THE FIVE YEARS PRIOR TO THE SCHEME'S TAKING EFFECT.

10. (4B.) THE COMMISSION INDICATED THAT, WITH THE EXCEPTION OF SUGAR, COMMODITIES COVERED BY STABEX WHICH ARE ALSO COVERED BY AN INTERNATIONAL AGREEMENT WILL NOT BE TREATED DIFFERENTLY (FOR SUGAR SEE REFTEL E). NOR IN THEIR VIEW IS THERE ANY INCONSISTENCY BETWEEN THE APPLICATION OF STABEX AND COVERAGE UNDER AN INTERNATIONAL COMMODITY AGREEMENT.

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AGR-03 DRC-01 /048 W

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R 101734Z OCT 74
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11. (4C.) AS NOTED IN PARAGRAPH 2 ABOVE THE ACP SIDE IS ASKING THAT THE COVERED PRODUCTS ALSO BE INCLUDED IN THEIR SEMI-PROCESSED FORM AND OUR UNDERSTANDING IS THAT THE COMMISSION WILL ACCEPT THIS REQUEST. THEY VIEW THE INCLUSION OF SEMI-PROCESSED PRODUCTS AS (1) A GOOD NEGOTIATING TACTIC IN VIEW OF THE STRONG ACP INTEREST IN THE INDUSTRIALIZATION ASPECTS OF AN EC/ACP AGREEMENT, AND (2) AS IN THE EC'S INTEREST TO HELP AVOID SHORTFALLS IN THE TOTAL AMOUNT OF THE PRODUCTS EXPORTED.

12. (4D.) COMMISSION CONTACTS UNDERLINE THE FACT THAT FINANCIAL TRANSFERS WILL BE MADE ON A GOVERNMENT-TO-GOVERNMENT BASIS. THEY DO NOT ANTICIPATE THAT STABEX WILL ENCOURAGE ACP
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STATE MARKETING AS OPPOSED TO PRIVATE TRADE.

13. (4E.) AS IN THE CASE OF POSSIBLE PRODUCT LIST EXPANSION (SEE QUESTION 3A ABOVE), THE COMMISSION IS TAKING A "WAIT AND SEE" ATTITUDE ON WHETHER NON-ACP'S PRODUCING SIMILAR COMMODITIES MIGHT RECEIVE SIMILAR TREATMENT.

14. (4F, I, J, K) REGARDING SAFEGUARD MECHANISMS -- TO PREVENT ACP EXPORT DIVERSION, MARKET MANIPULATION, ETC. -- THE COMMISSION IS QUICK TO POINT OUT THAT SAFEGUARDS AGAINST SUCH ACTION ARE BUILT INTO STABEX. A FORMULA MEASURING THE EC'S SHARE OF TOTAL EXPORTS AGAINST THE HISTORICAL TREND WOULD BE ROUTINELY APPLIED TO TRADE PATTERNS WOULD CALL FOR INVESTIGATION. SIGNIFICANT DIVERSION OF SHIPMENTS AWAY FROM TRADITIONAL EC MARKETS COULD RESULT IN DENIAL OF FINANCIAL TRANSFERS.

15. (4G.) COMMISSION SOURCES DO NOT, AT THIS POINT, FORSEE THE NEED FOR NEW INSTITUTIONAL MECHANISMS TO MONITOR THE STABEX

SCHEME, THOUGH THEY WILL NEED MORE STAFF WITHIN THE COMMISSION'S DIRECTORATE GENERAL FOR DEVELOPMENT. THE LIMITED SCOPE (AND FUNDING) OF STABEX WILL NOT IN THE COMMISSION'S VIEW LEND SUPPORT TO THE FORMATION OF SUPPLIER CARTELS.

16. (4H.) COMMISSION SOURCES VIEW EFFECTIVE APPLICATION OF A SCHEME SUCH AS STABEX AS HAVING POSITIVE RESULTS IN PROMOTING STABLE DEVELOPMENT OF ACP EXPORT EARNINGS IN THE COMMODITY MARKETS CONCERNED. STABILIZING ACP EXPORT EARNINGS IN THIS MANNER WILL, IN THEIR VIEW, PROVE BENEFICIAL IN PROMOTING STEADY PRODUCTION EXPANSION AND IN CREATING A CLIMATE CONDUCTIVE TO INCREASED STOCK-BUILDING MEASURES.

17. (4L, M) THE COMMISSION DOES NOT FORESEE ANY PROBLEMS REGARDING THE COMPATIBILITY OF THE STABEX APPROACH WITH OTHER INTERNATIONAL EFFORTS TO STABILIZE EXPORT EARNINGS ON A GLOBAL BASIS, NOR DO THEY SEE IT AS HAVING ANY SIGNIFICANT IMPACT ON THE MTN. GREENWALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC INTEGRATION, EXPORT CONTROLS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ECBRU07920
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740288-0878
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741057/aaaabwln.tel
Line Count: 241
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. STATE 174830 B. EC BRUSSELS 6248, C. EC BRUSSELS 7004
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by boyleja>; APPROVED <30 JUL 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED EC-ACP ARRANGEMENTS ON STABILIZATION OF EXPORT RECEIPTS
TAGS: ETRD, EAGR, EC, EEC, ACP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005